Q1/2024

CREDIT MARKET INDICATORS

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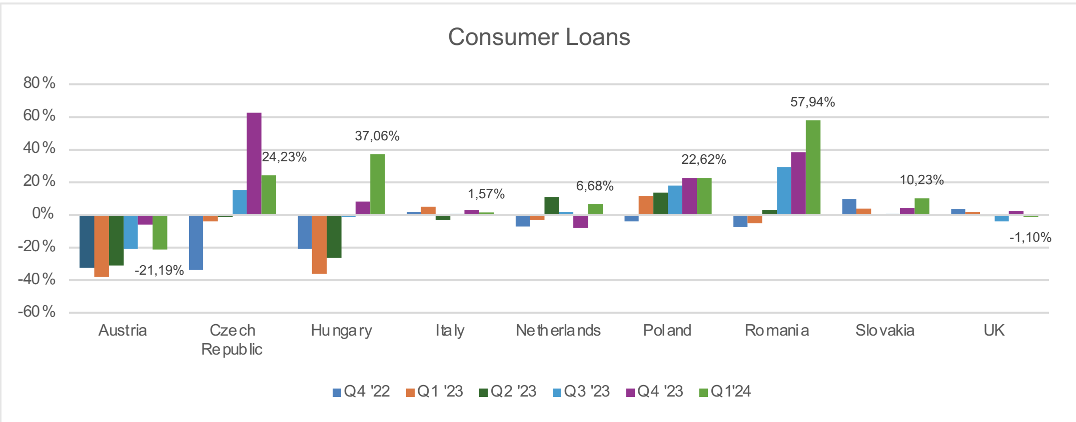
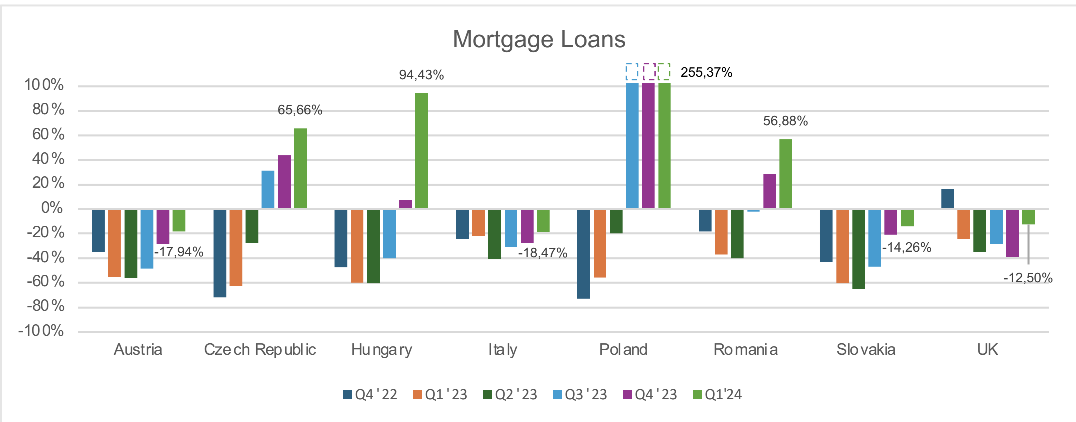
The consumer credit market exhibits varying dynamics influenced by each country's economic situation. In the mortgage sector, we are seeing positive trends in credit activity with notable peaks, especially in countries where government support programs have been introduced to boost housing sales. For example, Poland's “Safe credit - 2%” program, which was available until the end of 2023, continued to drive a high volume of mortgage initiations into Q1 2024.

When it comes to non-performing loans, there is significant variation between countries, particularly in the mortgage sector. This is largely due to macroeconomic factors such as inflation and the rising costs of living, including increases in energy prices.

Dynamics of new sales of loans

Value of new booking in a quarter to a corresponding quarter of the year before



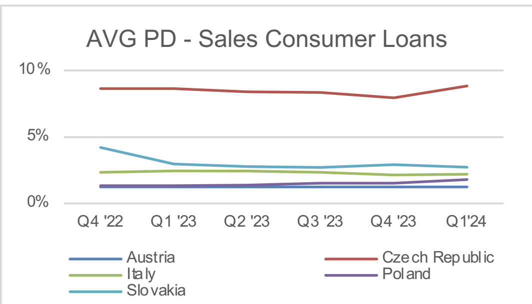


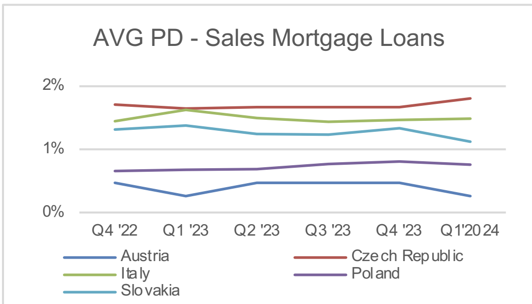
Information recorded in credit databases shows that lenders have been steadily increasing the sale of consumer credit in Hungary, Romania, and Poland, although in the latter country, the pace has begun to decelerate. In contrast, larger economies such as the UK and Italy exhibit a relatively stable trend in consumer credit sales.

Regarding mortgage credit, sales are also expanding. In the Czech Republic, Hungary, and Romania, sales have surpassed levels from a year ago, while markets in Austria, Italy, and Slovakia are showing signs of recovery. In Poland, year-over-year sales have decelerated from 343.1% in Q4 last year to 255.37%.

Probability of default

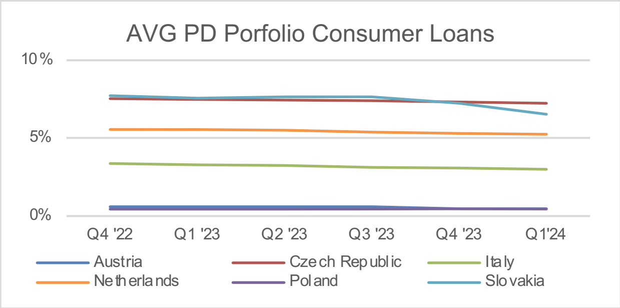
Average probability of default - AVG PD - (90 days past due on any customer credit)

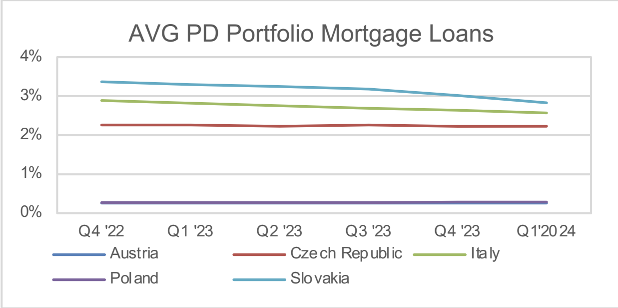




The Czech Republic exhibits the highest AVG PD in new sales of both consumer and mortgage loans, peaking at 8.83% for consumer loans in Q1 2024. Austria maintains the lowest and most stable PD for both products. Slovakia demonstrates an improvement, with its PD for mortgage loans decreasing from 1.32% in Q4 2022 to 1.12% in Q1 2024.

ACCIS DATA FOR CREDIT

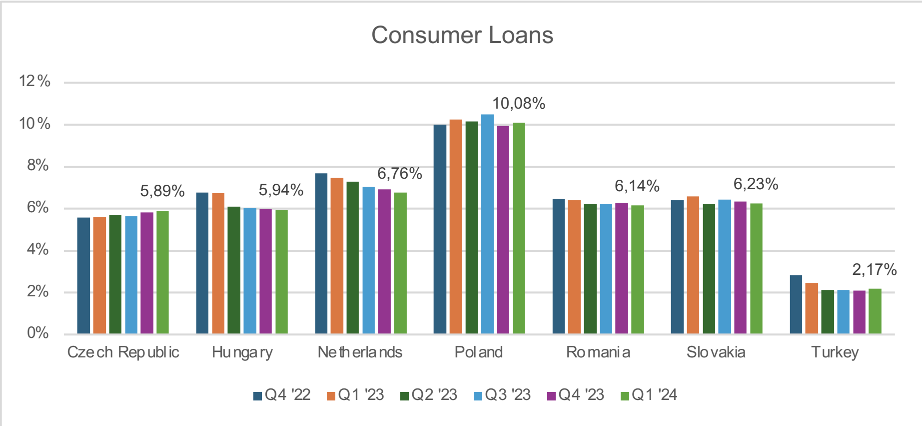


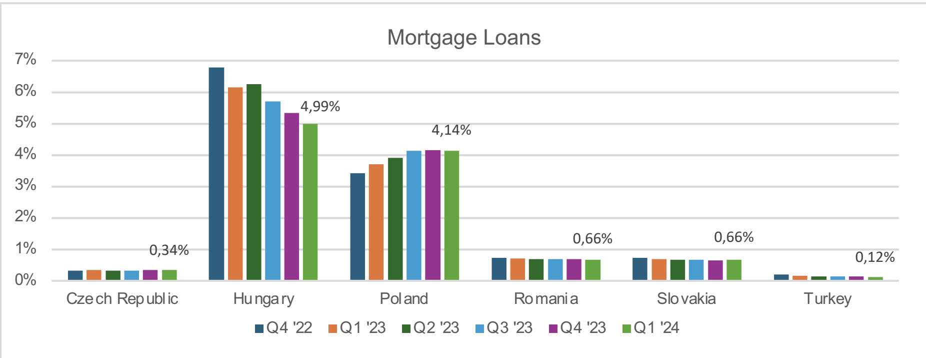


The AVG probability of default at the portfolio level is improving over the quarters across different countries and products.

Loan book quality | % of non-performing loans

Balance of non-performing loans (more than 90 days in delinquency) to balance of all the loans at the end of a quarter



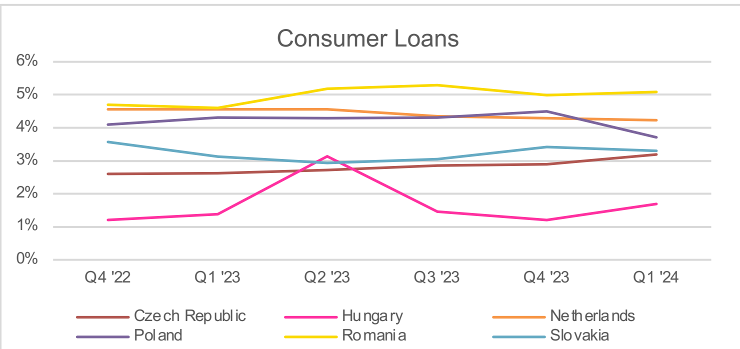


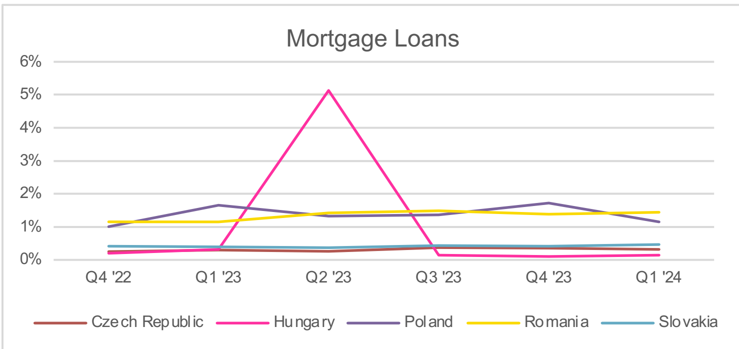
Poland consistently has the highest ratio of non-performing consumer loans, peaking at 10.49% in Q3 2023 and remaining around 10% in other quarters. In contrast, Turkey shows the lowest ratio, decreasing from 2.8% in Q4 2022 to 2.08% in Q4 2023 before slightly increasing to 2.17% in Q1 2024. The Netherlands demonstrates a steady decline in its non-performing loan ratio, dropping from 7.7% in Q4 2022 to 6.76% in Q1 2024, indicating an improvement in loan performance.

Turkey regularly maintains the lowest ratio of non-performing mortgage loans, decreasing further from 0.2% in Q4 2022 to 0.12% in Q1 2024. Hungary, despite starting with the highest ratio at 6.8% in Q4 2022, shows significant improvement, reducing its ratio to 4.99% by Q1 2024. Conversely, Poland's ratio of non-performing mortgage loans increases over time, peaking at 4.15% in Q4 2023 and slightly stabilising at 4.14% in Q1 2024, indicating rising challenges in mortgage loan performance

PQI - Portfolio quality index

PQI = (Sum of defaults in a quarter/ Sum of performing balances at the beginning of a quarter)*4 (%)





Romania has the poorest consumer loan portfolio quality, with a PQI peaking at 5.29% in Q3 2023 and consistently above 4.5%. The Czech Republic's consumer loan portfolio is also deteriorating, reaching 3.19% in Q1 2024. The Netherlands maintains a high but stable PQI around 4.5%, slightly improving to 4.23% in Q1 2024. For mortgage loans, Poland and Romania report high PQIs, with Poland peaking at 1.72% in Q4 2023 and Romania consistently above 1%. Slovakia shows better performance with a stable, low PQI, peaking at 0.47% in Q1 2024. Hungary had a temporary PQI spike last year due to delayed data from a debt collection agency.

Source: ACCIS Credit Market Indicators Review is prepared based on data delivered by the following credit reference agencies: BIK (Poland) | KKB (Turkey) | CRIF (Italy, Czech Republic and Slovakia) | KSV (Austria) | Biroul de Credit (Romania) | BISZ (Hungary) | BKR (Netherlands)

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